



# Internal Audit Report

Maricopa Integrated Health System  
Maricopa Health Plan  
January 2001



# Internal Audit Department

301 W Jefferson • 10th Floor • Phx • AZ • 85003 • (602) 506-1585 • Fax (602) 506-8957



January 30, 2001

Janice K. Brewer, Chairman, Board of Supervisors  
Fulton Brock, Supervisor, District I  
Don Stapley, Supervisor District II  
Andrew Kunasek, Supervisor, District III  
Mary Rose Wilcox, Supervisor, District V

We have completed our review of the Maricopa Health Plan (MHP). This audit was performed in accordance with the Board approved audit plan. Deloitte & Touche LLP was contracted to review and edit the final report. Areas identified needing improvement, along with recommended corrective actions, are detailed in the report. The highlights are:

- MHP is projecting small profit margins for FY00 through FY02 on a stand alone basis. MHP should analyze the cost-benefits of continuing the MHP program by considering the financial impact on other health care system components.
- Between 1994 and 2000, MHP's enrollment numbers declined by 25% and its market share declined by 4.4%. Enrollment began to rise during 1999 and 2000. MHP should continue to develop strategies for increasing enrollment.
- MHP has set its capitation rates lower than competing plans in several cases, negatively impacting revenue per member, in order to gain enrollment. Care must be given to ensure that capitation rates provide for adequate margins.
- MHP utilizes a significant number (33%) of non-contracted providers, which negates some of the advantages of using contracted providers. MHP should implement procedures to increase its members' usage of County facilities, or other contracted providers, in order to reduce its financial risk.

Attached are the report summary, detailed findings, recommendations, and MHP's response. If you have questions or wish to discuss items presented in this report, please contact Eve Murillo at 506-7245.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate  
County Auditor

# **Table of Contents**

|                             |           |
|-----------------------------|-----------|
| <b>Executive Summary</b>    | <b>1</b>  |
| <b>Introduction</b>         | <b>2</b>  |
| <b>Detailed Information</b> | <b>6</b>  |
| <b>Appendix</b>             | <b>17</b> |
| <b>Department Response</b>  | <b>20</b> |



## **Executive Summary**

### **Profitability (Page 6)**

The Maricopa Health Plan (MHP) has projected small profit margins for Fiscal Year (FY) 00 through FY02 on a stand alone basis. MHP should analyze the cost-benefits (financial, non-financial, and intangible) of continuing the MHP program by considering the financial impact on other health care system components.

### **Enrollment and Market Share (Page 9)**

Between 1994 and 2000, MHP's enrollment numbers declined by 25 percent and its market share declined by 4.4 percent. Enrollment began to rise during 1999 and 2000. The overall enrollment decrease during 1994 to 2000 appears to be due to enrollees choosing other plans, by a significant margin. MHP should continue to analyze the causes for membership and market share declines and develop strategies to increase enrollment.

### **Capitation (Revenue) Rates (Page 12)**

MHP has set its capitation rates lower than the competing plans in several cases, negatively impacting revenue per member, in order to gain enrollment. When implementing strategies to increase enrollment and market share MHP should give care to ensure that capitation rates provide for adequate margins.

### **Non Contracted Providers (Page 15)**

Our review of six months of MHP medical claims expenses showed that MHP is utilizing a significant number (33%) of non-contracted providers, which negates some of the advantages of using contracted providers. MHP should implement procedures to increase its members' usage of County facilities, or other contracted providers, in order to reduce its financial risk.

# Introduction

## Background

The Arizona Health Care Cost Containment System (AHCCCS) is Arizona's Medicaid program, which also functions as Arizona's program for persons who do not qualify for Medicaid. AHCCCS contracts with health plans, such as Maricopa Health Plan (MHP), to manage the program. The program emphasizes cost containment through preventative care, rather than emergency care.

## AHCCCS Capitation Rates

Health plans bid for an AHCCCS contract by submitting proposed capitation rates (fixed per member, per month revenue rate for each member category/group). AHCCCS evaluates each rate proposal against actuarially predetermined rate ranges. AHCCCS determines whether bids are too high (i.e., above the actuarial range) or too low (unable to deliver quality service). Health plans must be careful when formulating rate bids because the plans risk financial loss if their members' medical costs exceed AHCCCS' established monthly capitation payments.

## AHCCCS Evaluates and Monitors Health Plans

In addition to evaluating rate bids, AHCCCS evaluates how the bidding health plans will meet financial and operational requirements, ensure quality service delivery, and provide a sufficient provider network. After awarding a contract, AHCCCS monitors each plan's compliance with contract performance standards.

## Health Plan Competition

The six active Maricopa County area AHCCCS Acute Health Plans are:

- Maricopa Health Plan (MHP)
- CIGNA
- APIPA
- Mercy Care
- Phoenix Health Plan
- Health Choice

## Major AHCCCS Medicaid Eligibility Groups:

The Medicaid assistance member categories are:

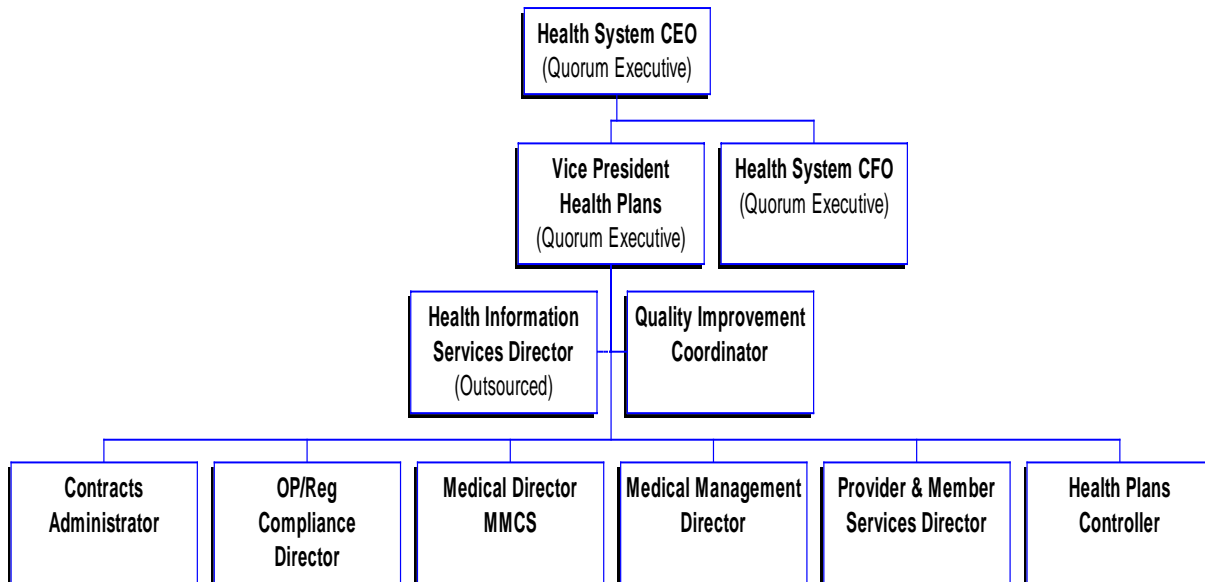
- Temporary Assistance to Needy Families (TANF), TANF-related groups
- The Sixth Omnibus Budget Reconciliation Act (SOBRA) categories
- Persons eligible for Supplemental Security Income (SSI) and SSI-related groups, as determined by the Social Security Administration.

## State Funded (Non-Medicaid) Groups

The indigent health care program (a.k.a. “the State-funded program”) is funded entirely with State and County funds to provide services for persons who do not qualify for Medicaid. The four State-funded eligibility categories are:

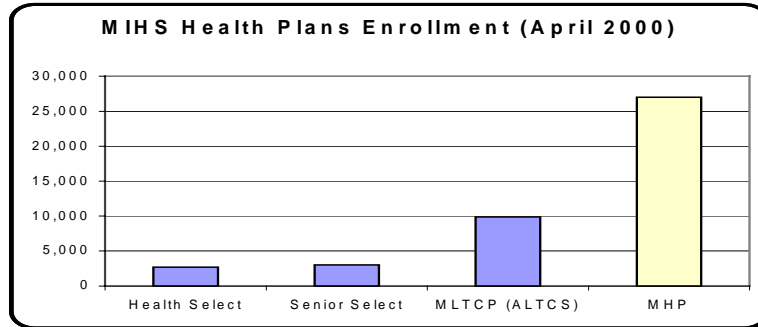
- Medically Needy/Medically Indigent (MNMI): As of July 1, 1998, MNMI's comprised 93 percent of the State-funded AHCCCS enrollment.
- Eligible Low Income Children (ELIC)
- Eligible Assistance Children (EAC)
- State Emergency Services (SES).

## Maricopa Integrated Health Systems (MIHS) Health Plans Organizational Structure

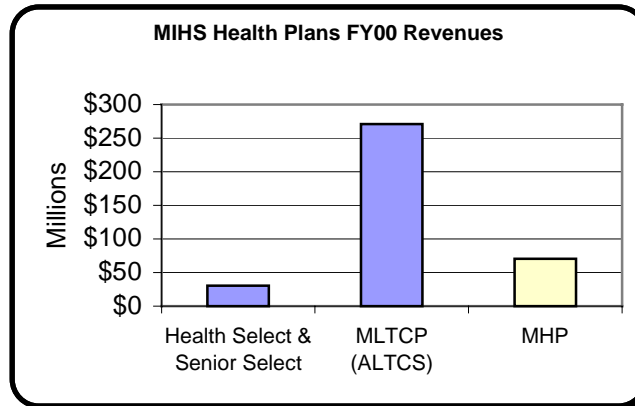


## MIHS' Four Health Plans Comparison

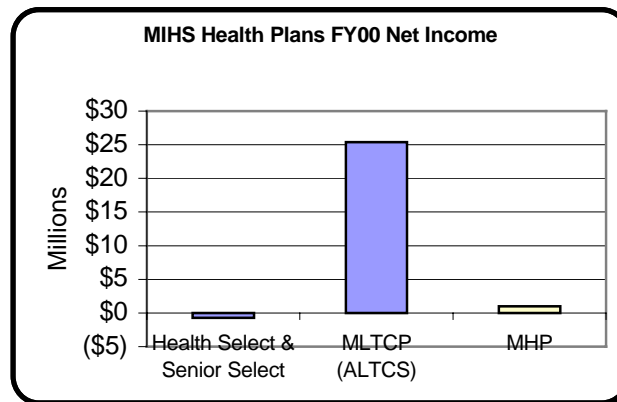
Enrollment information for MIHS' four health plans:



FY00 year-end revenues:



FY00 year-end net income:



## **MIHS Strategic Plan**

MIHS' strategic plan elements that relate to MHP are:

- Produce sufficient financial results to meet the operational needs and capital required to support the goals and objectives of MIHS
- Position MIHS to be the health system provider of choice through exceptional customer service.

## **Compliance with Laws and Regulations**

AHCCCS regulations are incorporated into the AHCCCS contract "Performance Areas" section. AHCCCS annually performs a compliance review of:

- Administration and Management
- Member Services
- Delivery System (Provider Network)
- Medical Management.

## **Program Benefit**

Maricopa County is no longer mandated to operate the County's AHCCCS acute program. As previously mentioned, MHP is one of six competing Maricopa County area AHCCCS acute plans. If the County discontinued operating MHP, the other five plans would absorb MHP's members. The County chooses to operate the program because:

- MHP has shown profitability (FY96 through FY99)
- According to MIHS calculations, the Maricopa Medical Center derives approximately \$5 million in net income from MHP.

## **Scope**

The scope of this review was limited to determine the following:

- Compliance with laws and regulations
- Effective program operations
- Validity and reliability of data
- Safeguarding of resources.

The audit report was reviewed, edited, and presented to MIHS by an outsourced audit firm. The audit was conducted in accordance with government auditing standards.

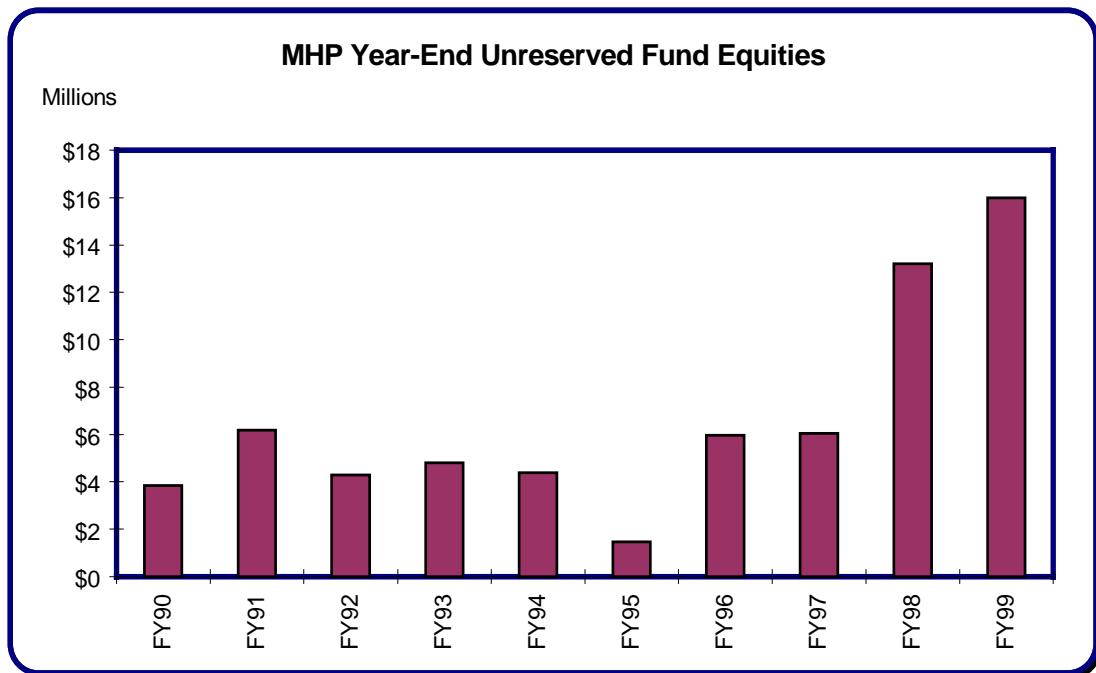
## Issue 1 Profitability

### Summary

The Maricopa Health Plan (MHP) has projected small profit margins for Fiscal Year (FY) 00 through FY02 on a stand alone basis. MHP should analyze the cost-benefits (financial, non-financial, and intangible) of continuing the MHP program by considering the financial impact on other health care system components.

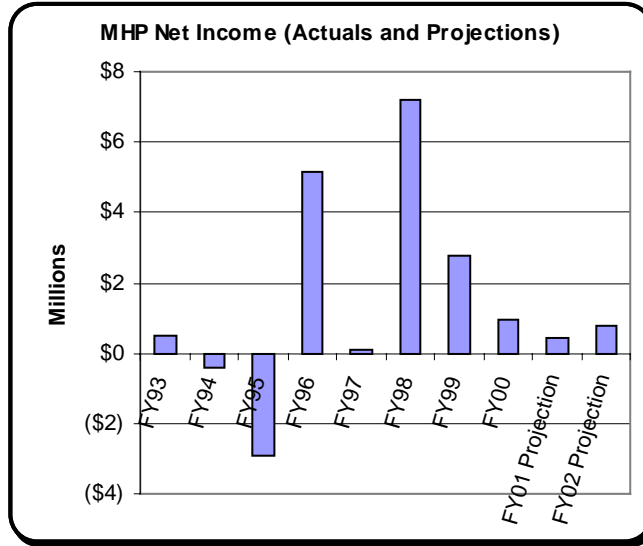
### Fund Balance

MHP's fund equity exceeds AHCCCS reserve requirements, and is generally strong, as shown in the chart below. As a result of strong fund equity, MHP has received large interest earnings for the last several fiscal years (see table at bottom of next page).



## MHP Net Income

MHP net income has declined significantly since FY98. MHP projects small profitability margins through FY02:



MHP net operating income dropped 73 percent between FY98 and FY99, and another 102 percent between FY99 and FY00. A comparison of net operating income to revenues shows a low rate of return by industry standards:

| MHP  | FY'98        | FY '99       | FY00         | FY01 Projection<br>(Mid-Level) | FY02 Projection<br>(Mid-Level) |
|--|--------------|--------------|--------------|--------------------------------|--------------------------------|
| Revenues   | \$57,186,336 | \$64,235,678 | \$70,552,611 | \$76,677,649                   | \$80,826,412                   |
| Net Operating<br>Income without<br>Interest Earnings | \$ 6,659,891 | \$ 1,828,506 | (\$ 45,222)  | (\$ 578,841)                   | (\$ 267,823)                   |
| Interest Income                                      | \$ 524,576   | \$ 965,218   | \$ 1,020,044 | \$ 1,001,707                   | \$ 1,031,758                   |
| Net Operating<br>Income With<br>Interest Earnings    | \$ 7,184,467 | \$ 2,793,724 | \$ 974,822   | \$ 422,866                     | \$ 763,936                     |
| Net Income to<br>Revenue                             | 12%          | 3%           | 0%           | -1%                            | 0%                             |

Note: \$1 million of interest earnings is assumed for FY01 & FY02.

As shown by the table on the preceding page, MHP's net operating income dropped from \$1.8 million in FY99 to (\$45,222) in FY00. The following factors appear to have contributed to MHP's low profitability:

- Fewer clients attracted through choice than other plans (see Issue 2, page 9)
- Comparatively low rates (See Issue 3, page 12)
- Large market share of historically unprofitable MNMI members
- Provider network weaknesses (see Issue 4, page 16).

### **Recommendation**

MHP management should:

- A. Produce a five-year financial projection (FY01-FY05)
- B. Analyze the cost-benefits (financial, non-financial and intangible) of continuing the program, including impacts to other parts of the health system.
- C. Consider outsourcing the cost-benefit analysis to an independent consultant
- D. Report the results of the cost-benefit analysis to the County Administrative Officer.

## Issue 2 Enrollment and Market Share

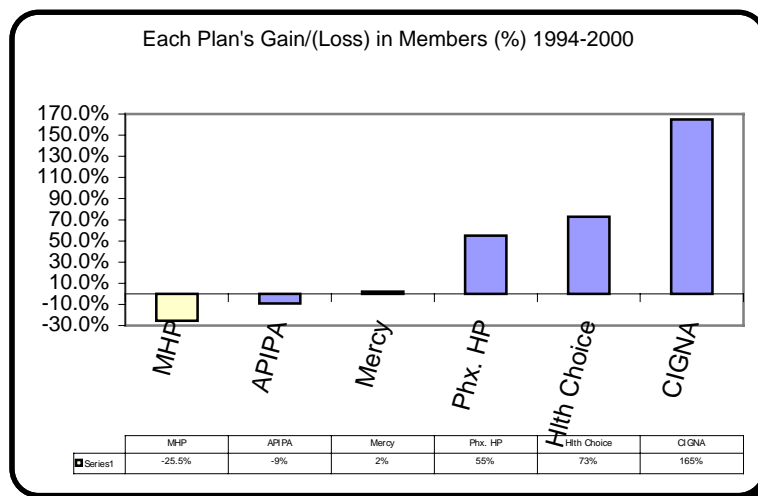
### Summary

Between 1994 and 2000, MHP's enrollment numbers declined by 25 percent and its market share declined by 4.4 percent. Enrollment began to rise during 1999 and 2000. The overall enrollment decrease during 1994 to 2000 appears to be due to enrollees choosing other plans, by a significant margin. MHP should continue to analyze the causes for membership and market share declines and develop strategies to increase enrollment.

### Enrollment Trend

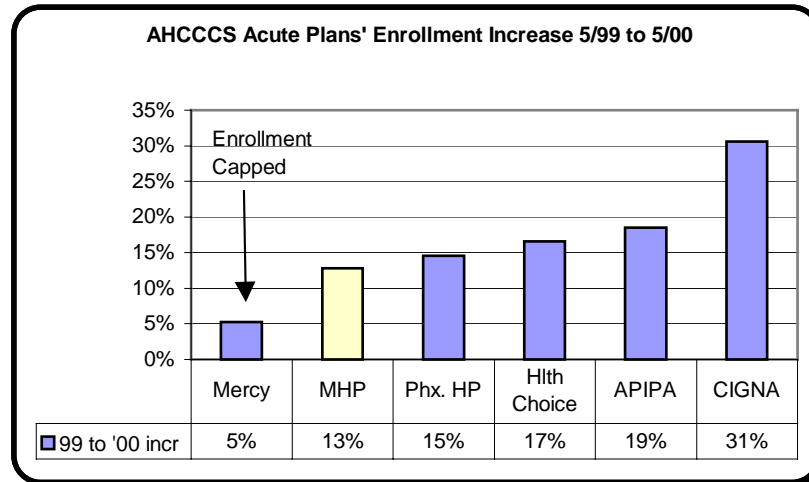
Growth in enrollment and market share indicate health plan viability. Health plans grow when members choose them or when members are automatically assigned. An analysis of MHP and the five other local area AHCCCS acute plans shows that MHP enrollment declined 25 percent between 1994 and 2000. NOTE: enrollment increased 13 percent between 1999 and 2000 (Appendix Table A-1).

Of the six active plans, MHP sustained the largest membership decrease during 1994 to 2000 (refer to graph below). (NOTE: CIGNA's large growth is partly due to the fact that its plan started in 1993/1994.)



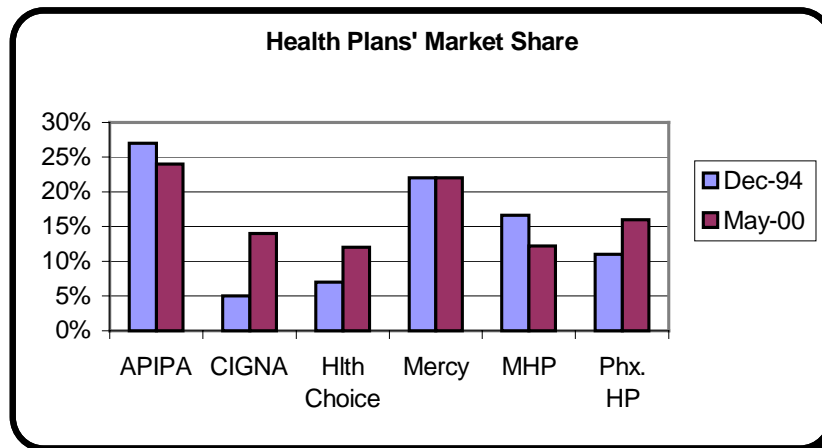
## Recent Enrollment Trend

All six plans show enrollment increases between 1999 and 2000. MHP enrollment growth was smaller than the other five plans except Mercy Care, and as a result MHP lost some market share. (NOTE: Mercy Care requested that its enrollment be capped for three months.)



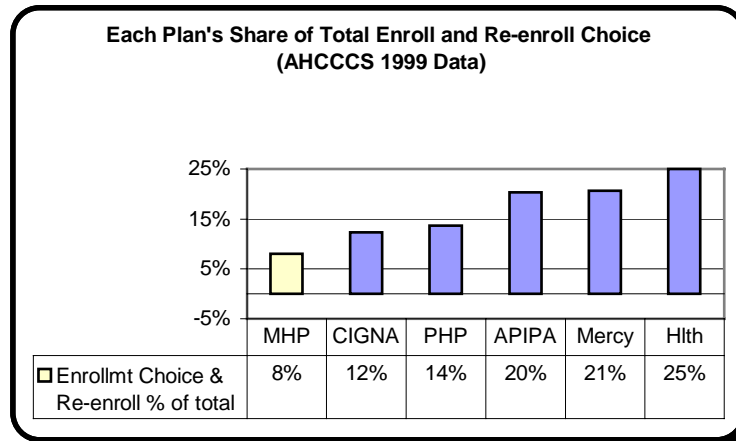
## Market Share

MHP market share declined 4.4 percent between December 1994 and May 2000, while the other five plans' market share increased by 3 percent on average. The following chart compares MHP's market share trend with its five competitor plans:



## Enrollees' Choice

MHP's enrollment growth and market share are low because enrollees have chosen other plans by a significant margin. It should be noted that membership growth between 1999 and 2000 did increase by approximately 13 percent (Appendix Table A-1):



## Potential Causes of Low Enrollment Choice

Although determining precisely why enrollees choose other plans is difficult, enrollee surveys give some indications. A 1999 Maricopa County Research and Reporting department survey found that low satisfaction scores related to:

- Office wait time
- Pharmacy wait time
- Appointment wait time
- Location of clinic or office.

MIHS' December 1998 survey of 42 dis-enrolling members showed that 36 mentioned having to wait too long and 31 mentioned having to travel too far for appointments. MHP's 1998 marketing analysis found fewer doctors to be in the MHP regular network than in other plans' regular networks. A network size disadvantage could explain long waits and appointment unavailability.

## Recommendation:

MHP should improve strategies:

- A. To increase enrollment choice
- B. To increase network size and appointment availability.

## Issue 3    Capitation (Revenue) Rates

### Summary

MHP has set its capitation rates lower than the competing plans in several cases, negatively impacting revenue per member, in order to gain enrollment. When implementing strategies to increase enrollment and market share MHP should give care to ensure that capitation rates provide for adequate margins.

### Rate bids

Competing health plans submit capitation (revenue) rate bids to AHCCCS in order to secure an AHCCCS contract. The most recent competitive rate bid occurred in October 1997 to secure a 5-year contract. AHCCCS established an unpublished rate range (high and low). If a plan's rate bid exceeded the top of the range, AHCCCS adjusted the rate bid downward to the range mid-point. If a plan's rate bid was below the bottom of the range, AHCCCS brought it up to minimum. During the contract period, AHCCCS may adjust a member category rate if all plans are found to be losing money in that particular category. NOTE: AHCCCS has recently made MNMI category upward adjustments.

### MHP's Low Rates

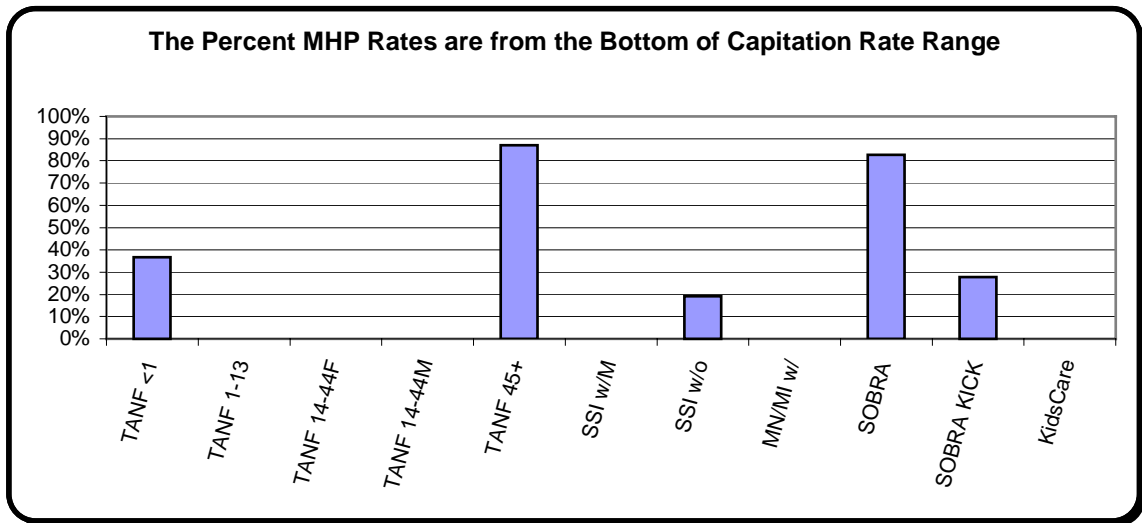
MHP's current rate structure appears to be low compared to competing plans participating in the program. We tested MHP rates by substituting competitor rates with MHP's rates within each client category. We found that:

- MHP's 9/95-10/97 rate structure was higher than competitors' average rate
- MHP's 10/97-5/00 rate structure was lower than competitors' average rates.

Testing showed that replacing MHP's October 1999 rates (set October 1997) with any of its competitors' rates would have generated more revenues. Depending on which competitors' rate structure was substituted, MHP would have realized between \$300,000 to \$3.6 million more revenues. How MHP enrollment numbers, within member categories, would have been affected by higher category rates is not clear.

The chart on the following page shows how MHP rates fare within each client category (Kids Care categories are combined). Bars show the percentage that MHP rates exceed the bottom of the range. MHP's TANF 45+ and SOBRA rates score relatively high, however, MHP's enrollment is small within these two categories (March 2000 TANF 45+ enrollment was under 200 and SOBRA

enrollment was approximately 1,500). The absence of a bar indicates that MHP's rate is at the bottom of that category's range.



### Correlation Between Low Rates and Losses within Categories

A review of MHP FY99 financial data shows a correlation between low MHP capitation (revenue) rates in certain member categories and MHP financial losses in these categories (teal ink). MHP FY99 financial statements show the following losses (shown in red) by category:

| MHP FY99 Net Income By Category |                     |
|---------------------------------|---------------------|
| MNMI:                           | (\$ 153,661)        |
| SSI w/Medicare:                 | ( 754,069)          |
| TANF 1-13 M/F:                  | ( 3,675,133)        |
| SOBRA KICK FPS:                 | ( 47,458)           |
| KidsCare 14-18M:                | ( 12,621 )          |
| SSI without Medicare            | 1,887,041           |
| Sobra MOMS                      | 938,400             |
| TANF <1                         | 2,920,965           |
| TANF 14-44F                     | 1,527,615           |
| TANF 14-44M                     | 2,436               |
| TANF 45+                        | 63,041              |
| KidsCare <1                     | 10,261              |
| KidsCare 1-13                   | 57,870              |
| KidsCare 14-18F                 | 29,037              |
| <b>TOTAL</b>                    | <b>\$ 2,793,724</b> |

MHP's low rate structure, set in 1997, results in lower revenues and lower net income if enrollment is constant. According to MHP staff, MHP set low rates in order to win the 1997 AHCCCS contract bid. AHCCCS assesses bids on two criteria: the plan's rate bid and the plan's performance scores. MHP staff state

that the plan's 1997 performance scores were low and MHP compensated by setting low rates in order to procure the bid.

### **Low Rates Lead to Larger Member Automatic Assignment**

Health plans may set certain rates low intentionally in order to garner higher numbers of enrollees via AHCCCS' automatic assignment of those members. (AHCCCS devised an algorithm to automatically assign members who do not or cannot choose a plan.) Having low rates increases a plan's chances for receiving auto-assignments. It appears that MHP set rates low in order to receive more automatically assigned members. The plan's desire to attract members via the automatic assignment may be due to its historical difficulty in attracting members who can exercise choice.

Health plan members may annually choose to stay with or leave their present plan. AHCCCS reports show that MHP lost more members than the other AHCCCS plans when members exercised their choice to change plans prior to January 1999.

### **Recommendation**

MHP should balance its practice of setting lower rates, to increase enrollment, with the need for adequate margins to ensure financial viability of the plan.

## **Issue 4     Non-Contracted Providers**

### **Summary**

Our review of six months of MHP medical claims expenses showed that MHP is utilizing a significant number (33%) of non-contracted providers, which negates some of the advantages of using contracted providers. MHP should implement procedures to increase its members' usage of County facilities, or other contracted providers, in order to reduce its financial risk.

### **Provider Types**

Health plans develop their provider networks in a manner that decreases costs. According to industry experts, health plans can decrease financial risk (costs) by using contracted or capitated (fixed fee payments per member per month) provider contracts.

MHP pays providers according to the following arrangements:

- Capitated: MHP pays providers a fixed fee per member per month
- Fee for Service (FFS)
  - ⇒ Contracted FFS (fees are usually less than AHCCCS-set fees)
  - ⇒ Non-contracted FFS (normally the most expensive category, providers charge AHCCCS set fees)

MHP encounter and claim data for 7/1/99 – 12/31/99 showed that:

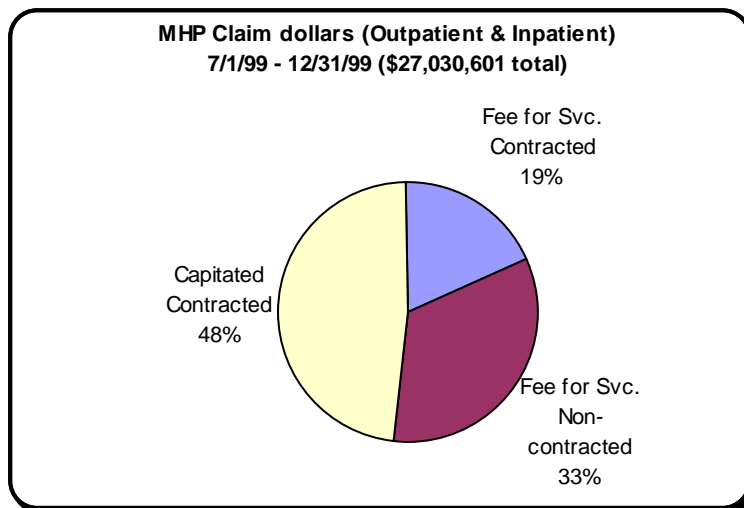
- only 48 percent of claim dollars were paid to capitated providers
- 33 percent of claim dollars were paid to FFS non-contracted providers
- 19 percent of claim dollars were paid to FFS contracted providers.

The information above is charted on the following page.

### **Inpatient versus Outpatient Analysis:**

The encounter and claim data also showed:

- 51 percent of inpatient claim dollars were paid to capitated providers
- 45 percent of outpatient claim dollars were paid to capitated providers.



AHCCCS members are more likely to choose a health plan if they like the plan's provider locations (service availability). Health plans need a large provider network to accommodate AHCCCS' provider proximity requirements and members' location preferences. MHP could reduce its financial risk (costs) by utilizing a higher percentage of capitated or contracted providers.

### **Recommendation**

MHP should take steps to increase its members' usage of County facilities, or other contracted providers, and rely less on outside providers in order to reduce its financial risk.

## APPENDIX

### MHP 10-Year Enrollment Trend

Auditor General report data (FY90-FY99) show a ten-year MHP enrollment trend:

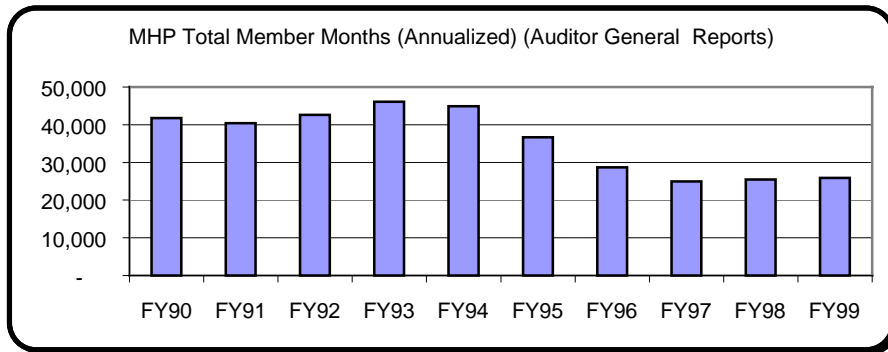


Table A-1 shows the six Maricopa County AHCCCS Acute health plans and their respective enrollment 1994-2000.

| Date                           | Mercy Care | MHP     | Phx. HP | Health Choice | APIPA   | CIGNA  | Now defunct plans | Total County | MHP's 5 competitor totals |
|--------------------------------|------------|---------|---------|---------------|---------|--------|-------------------|--------------|---------------------------|
| Dec-94                         | 45,965     | 35,148  | 22,687  | 14,342        | 57,091  | 10,996 | 25,119            | 211,348      | 151,081                   |
| Dec-95                         | 41,612     | 26,775  | 19,995  | 21,294        | 47,977  | 18,648 | 22,696            | 198,997      | 149,526                   |
| Dec-96                         | 41,440     | 24,108  | 21,660  | 23,318        | 46,107  | 21,121 | 21,962            | 199,716      | 153,646                   |
| Dec-97                         | 43,804     | 23,611  | 30,156  | 22,555        | 45,650  | 24,205 | 0                 | 189,981      | 166,370                   |
| Dec-98                         | 42,384     | 22,949  | 29,400  | 21,602        | 42,376  | 21,175 | 0                 | 179,886      | 156,937                   |
| May-99                         | 44,554     | 23,212  | 30,681  | 21,288        | 43,683  | 22,305 | 0                 | 185,723      | 162,511                   |
| May-00                         | 46,881     | 26,189  | 35,146  | 24,814        | 51,775  | 29,124 | 0                 | 213,929      | 187,740                   |
| 1994-99 #Loss/Gain             | -1,411     | -11,936 | 7,994   | 6,946         | -13,408 | 11,309 |                   | -25,625      | 11,430                    |
| 1994-99 % Gain/(Loss)          | -3%        | -34%    | 35%     | 48%           | -23%    | 103%   |                   | -12%         | 8%                        |
| 1994-99 % of total County loss | 6%         | 47%     | -31%    | -27%          | 52%     | -44%   |                   | 100%         | 0%                        |
| 99 to '00 increases            | 5%         | 13%     | 15%     | 17%           | 19%     | 31%    |                   | 15.2%        | 15.5%                     |
| 1994-2000 # Loss/Gain          | 916        | -8,959  | 12,459  | 10,472        | -5,316  | 18,128 |                   |              | 36,659                    |
| 1994-2000 % Loss/Gain          | 2%         | -25%    | 55%     | 73%           | -9%     | 165%   |                   |              | 24%                       |

Note: CIGNA entered the market later than the other plans shown, so its growth was larger.

Table A-2 shows the six Maricopa County AHCCCS acute plans market share positions 1994-2000:

| TABLE A-2 Maricopa County AHCCCS Acute Market Share 1994-2000 |       |       |         |             |       |       |                                    |
|---|-------|-------|---------|-------------|-------|-------|------------------------------------|
| Date  | Mercy | MHP   | Phx. HP | Hlth Choice | APIPA | CIGNA | Ave. Market Share of other 5 plans |
| Dec-94  | 22%   | 16.6% | 11%     | 7%          | 27%   | 5%    | 14%                                |
| Dec-95  | 21%   | 13.5% | 10%     | 11%         | 24%   | 9%    | 15%                                |
| Dec-96  | 21%   | 12.1% | 11%     | 12%         | 23%   | 11%   | 15%                                |
| Dec-97  | 23%   | 12.4% | 16%     | 12%         | 24%   | 13%   | 18%                                |
| Dec-98  | 24%   | 12.8% | 16%     | 12%         | 24%   | 12%   | 17%                                |
| May-99  | 24%   | 12.5% | 17%     | 11%         | 24%   | 12%   | 18%                                |
| May-00  | 22%   | 12.2% | 16%     | 12%         | 24%   | 14%   | 18%                                |
| Mkt Share change  | 0%    | -4.4% | 6%      | 5%          | -3%   | 8%    | 3%                                 |

Table A-3 shows KidsCare Enrollment Jan. 1999 to April 2000.

| TABLE A-3 KidsCare Enrollment and Market Share Shown By Plan |        |        |        |         |        |        |
|--|--------|--------|--------|---------|--------|--------|
|  | Jan-99 | Jan-99 | Nov-99 | Nov. 99 | Apr-00 | Apr-00 |
| APIPA  | 579    | 24%    | 2,685  | 25%     | 3,670  | 24%    |
| Cigna  | 357    | 15%    | 1,884  | 17%     | 2,733  | 18%    |
| Health Choice  | 251    | 10%    | 964    | 9%      | 1,319  | 9%     |
| MHP  | 250    | 10%    | 1,137  | 10%     | 1,517  | 10%    |
| Mercy Care Plan  | 601    | 24%    | 2,227  | 20%     | 3,113  | 21%    |
| Phoenix Health Plan  | 416    | 17%    | 1,969  | 18%     | 2,636  | 18%    |
| Total  | 2,454  | 100%   | 10,866 | 100%    | 14,988 | 100%   |

Table A-4 shows the six plans' rates with the rates highlighted in red that correspond to categories showing FY99 losses:

| TABLE A-4 AHCCCS 10/99 ACUTE CARE RATES FOR EACH HEALTH PLAN |         |           |             |             |          |         |         |          |       |                               |                     |                    |                    |
|--|---------|-----------|-------------|-------------|----------|---------|---------|----------|-------|-------------------------------|---------------------|--------------------|--------------------|
| Oct-99   | TANF <1 | TANF 1-13 | TANF 14-44F | TANF 14-44M | TANF 45+ | SSI w/M | SSI w/o | MN/MI w/ | SOBRA | SOBRA KICK (incl. ELIC & EAC) | KidsCare 1 - 13 M/F | KidsCare 14 - 18 F | KidsCare 14 - 18 M |
| AZ Physicians IPA  | 327.01  | 68.89     | 111.75      | 96.55       | 228.04   | 152.07  | 333.10  | 506.65   | 21.30 | 5379.60                       | 71.96               | 139.51             | 80.25              |
| CIGNA Community Choice                                       | 344.21  | 71.09     | 113.00      | 97.94       | 223.51   | 156.69  | 346.92  | 540.76   | 19.68 | 5298.72                       | 72.23               | 140.17             | 81.01              |
| Health Choice AZ   | 325.49  | 64.40     | 98.84       | 91.64       | 223.13   | 153.93  | 324.90  | 516.44   | 19.68 | 5241.86                       | 72.23               | 140.17             | 81.01              |
| Maricopa Health Plan   | 327.00  | 64.18     | 98.08       | 88.70       | 231.30   | 150.50  | 327.04  | 504.83   | 21.02 | 5280.26                       | 71.96               | 139.51             | 80.25              |
| Mercy Care Plan  | 316.99  | 66.92     | 109.08      | 88.70       | 232.52   | 159.48  | 322.34  | 504.83   | 19.68 | 5241.86                       | 71.96               | 139.51             | 80.25              |
| Phoenix Health Plan  | 328.03  | 64.40     | 103.83      | 89.68       | 223.13   | 163.59  | 324.90  | 521.58   | 19.68 | 5241.86                       | 72.23               | 140.17             | 81.01              |

Contract year 1999 enrollment net changes are shown in Table A-5. MHP sustained the largest losses (1091 members):

| <b>TABLE A-5 Contract Year 1999 Annual Enrollment Choice Activity</b> |                                      |                           |                                      |                           |              |
|---|--------------------------------------|---------------------------|--------------------------------------|---------------------------|--------------|
|   | <b>1<sup>st</sup> Qtr.<br/>Total</b> | <b>2nd Qtr.<br/>Total</b> | <b>3<sup>rd</sup> Qtr.<br/>Total</b> | <b>4th Qtr.<br/>Total</b> | <b>YTD</b>   |
| AIPA  | 131                                  | 66                        | 142                                  | 279                       | <b>618</b>   |
| CIGNA   | 393                                  | 240                       | 142                                  | 365                       | <b>1140</b>  |
| Health Choice   | -282                                 | -170                      | -98                                  | -170                      | <b>-720</b>  |
| <b>MHP</b>  | <b>-440</b>                          | <b>-264</b>               | <b>-169</b>                          | <b>-218</b>               | <b>-1091</b> |
| Mercy Care  | 266                                  | 129                       | 22                                   | -258                      | <b>159</b>   |
| Phx. HP   | -46                                  | 5                         | -30                                  | 20                        | <b>-51</b>   |

Maricopa Health Plan - Financial Summary (Comprehensive Annual Financial Reports)

| <b>Table A-6</b>           | <b>Comprehensive Annual Financial Reports</b> |               |              |              |              |              |
|----------------------------|---|---------------|--------------|--------------|--------------|--------------|
|                            | <b>FY'94</b>                                  | <b>FY'95</b>  | <b>FY'96</b> | <b>FY'97</b> | <b>FY'98</b> | <b>FY'99</b> |
| Total Operating Revenue    | \$90,591,113                                  | \$73,445,034  | \$60,595,539 | \$54,993,966 | \$57,186,336 | \$64,235,678 |
| Interest Income            | \$1,215,285                                   | \$1,672,395   | \$500,079    | \$427,567    | \$524,576    | \$965,218    |
| Personal Services Expenses |   |               | \$2,748,043  | \$649,665    | \$1,599,631  | \$1,802,879  |
| Medical Expenses           |   | \$43,652,439  | \$50,960,130 | \$50,585,667 | \$46,868,663 | \$58,974,815 |
| Total Operating Expenses   | \$91,007,193                                  | \$78,027,742  | \$53,708,173 | \$51,235,332 | \$48,468,294 | \$60,777,694 |
| Operating Income/ (Loss)   | \$(416,080)                                   | \$(4,582,018) | \$4,660,675  | \$81,004     | \$6,659,891  | \$1,828,506  |
| Unreserved Fund Equity     | \$4,385,106                                   | \$1,475,483   | \$5,959,850  | \$6,051,883  | \$13,208,272 | \$16,592,075 |
| Members                    | 35,100  | 26,800        | 24,100       | 23,600       | 23,000       | 23,200       |